

Message Text

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PAGE 01 BRUSSE 00365 220624Z

14

ACTION EUR-25

INFO OCT-01 IO-14 ISO-00 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 L-03 H-03 PA-04 USIA-15 PRS-01 DRC-01 /183 W

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R 211740Z JAN 74

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC 9664

INFO AMEMBASSY BONN

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMEMBASSY GENEVA

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E.O. 11652: N/A

TAGS: EFIN, BE

SUBJECT: BELGIAN REACTION TO FRENCH FLOAT

1. GOB FINMIN DE CLERCQ MADE STRONG STATEMENT TO PRESS ON JANUARY 20 DESCRIBING FRENCH DECISION NOT TO SUPPORT COMMERCIAL FRANC AS "REGRETTABLE AND EVEN DANGEROUS" FOR COMMON MARKET. HE WENT ON TO CALL DECISION A SETBACK FOR ECONOMIC AND MONETARY UNION AND A DANGER FOR THE CAP.

2. BELGIAN NATIONAL BANK (BNB) FOREIGN EXCHANGE DEPARTMENT OFFICIAL VANDEN BRANDEN BELIEVES THAT FRENCH FLOAT WILL BE LIMITED OFFICIAL USE

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PAGE 02 BRUSSE 00365 220624Z

SUCCESSFUL FROM FRENCH POINT OF VIEW; IT WILL SUSTAIN

EMPLOYMENT AND EXPORTS. HE SEES MOVE AS IN UNFORTUNATE DIRECTION OF COMPETITIVE DEVALUATIONS, HOWEVER, AND AS SERIOUS BLOW TO UNIFIED EUROPEAN ECONOMIC AND MONETARY POLICY. VANDEN BRANDEN WAS ONLY "HALF SURPRISED" BY FRENCH ANNOUNCEMENT SINCE FRENCH POLICY HAS LONG BEEN TO KEEP FRANC UNDERVALUED. THIS ASPECT OF POLICY HAS PREVAILED OVER LONGSTANDING FRENCH DEVOTION TO FIXED EXCHANGE RATES.

3. HE SAID FRG AND BENELUX COUNTRIES INTEND TO KEEP SNAKE ALIVE, ALTHOUGH, WITH ONLY ONE LARGE EC COUNTRY REMAINING IN IT, SNAKE HAS LOST MUCH OF ITS USEFULNESS IN FACILITATING INTRA-EC TRADE. VANDEN BRANDEN WONDERED HOW LONG DANES WOULD REMAIN IN SNAKE. HE DOUBTS THAT BELGIAN FRANC WILL BE PULLED DOWN BY DEPRECIATION OF FRENCH FRANC.

4. THREE MEETINGS ARE BEING HELD IN BRUSSELS JAN. 21; FIRST, EC COUNTRY FINANCE OFFICIALS, SECOND, BENELUX OFFICIALS, AND, THIRD, OFFICIALS OF MEMBERS OF THE SNAKE.

5. EDITOR OF LEADING BELGIAN FINANCIAL DAILY DOUBTS THAT FRENCH WILL BENEFIT FROM FLOAT, SINCE HIGHER FRANC PRICES FOR PETROLEUM WILL FUEL INFLATION, EVEN THOUGH EXPORT EARNINGS SHOULD INCREASE. HE NOTED THAT AT TIME OF LAST OF DEVALUATION, GERMANS TOLD FRENCH THEY WOULD NOT DO SO AGAIN AND THAT FRENCH WOULD HAVE TO DEVALUE. HE FELT THAT FRENCH REJECTION OF GERMAN LOAN OFFER WAS PARTLY A MATTER OF FACE-SAVING. ONE GOAL OF FRENCH MOVE MAY HAVE BEEN TO FACILITATE DOMESTIC AGRICULTURAL POLICY; MEAT IMPORTS WILL BE MORE EXPENSIVE, FOR EXAMPLE.

6. EDITOR DID NOT SEE ANY GREAT IMPLICATIONS

OF FRENCH FLOAT AS FAR AS BELGIUM ALONE IS CONCERNED APART FROM HIGHER COST OF BELGIAN EXPORTS TO FRANCE. ON OTHER HAND, FRENCH FLOAT IS DANGEROUS FOR SNAKE, WHICH WAS ALREADY WEAK, AND MAY NOT SURVIVE THIS MOST RECENT SHOCK. HE STRESSED IMPORTANCE OF EFFORT TO KEEP SNAKE ALIVE, HOWEVER, SINCE IT WILL BE MUCH EASIER TO REINTRODUCE CURRENCIES INTO EXISTING SYSTEM THAN TO CREATE NEW ONE. HE TOO CONSIDERED FRENCH FLOAT AS A COMPETITIVE DEVALUATION. LIMITED OFFICIAL USE

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PAGE 03 BRUSSE 00365 220624Z

STRAUSZ-HUPE

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Message Attributes

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Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
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Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Executive Order: N/A
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